



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

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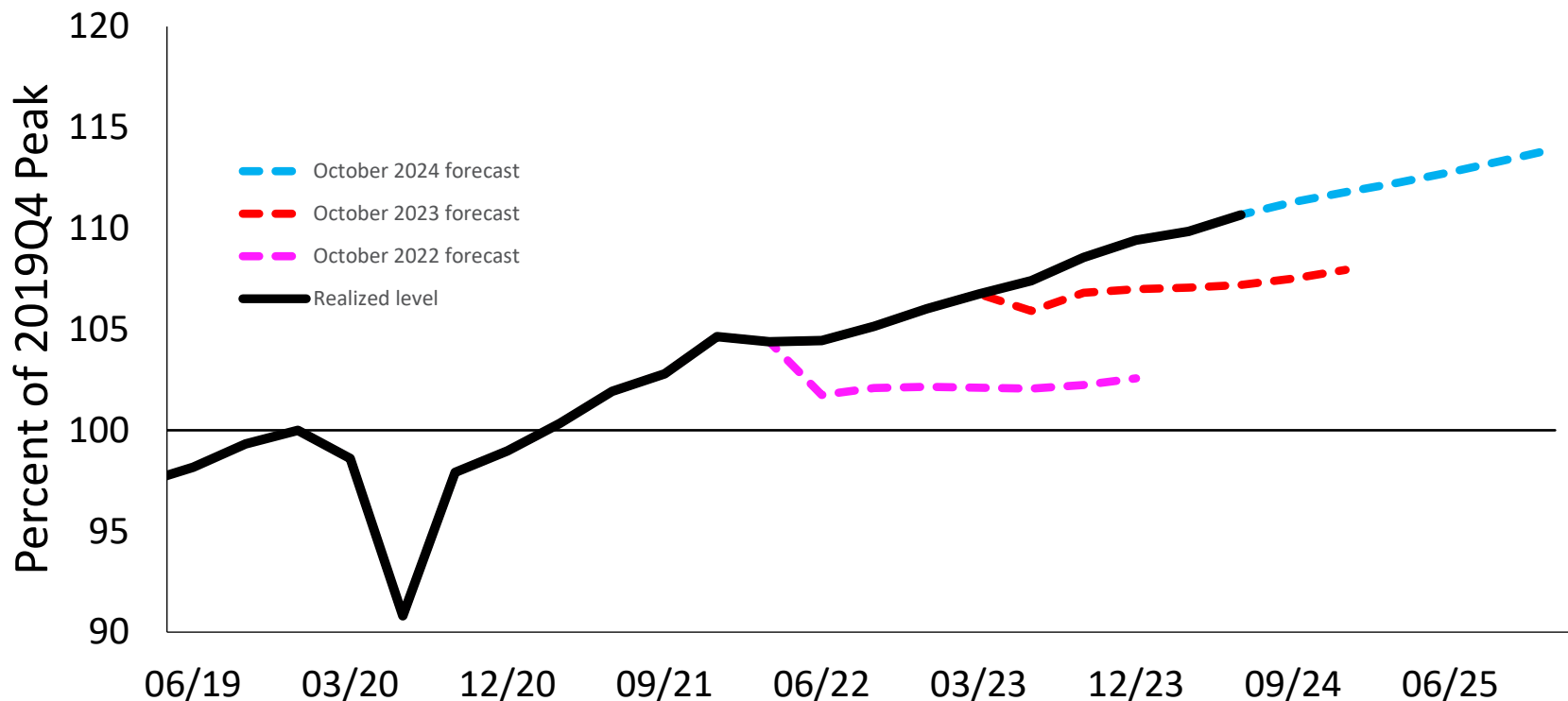
Overview

- Real GDP growth has remained solid despite a slowdown from 2023's torrid pace
- The labor market has moved roughly into balance and appears unlikely to be a source of inflationary pressure over the near term
- Progress on lowering inflation has been substantial amid falling goods prices and moderating service prices



GDP growth has remained solid

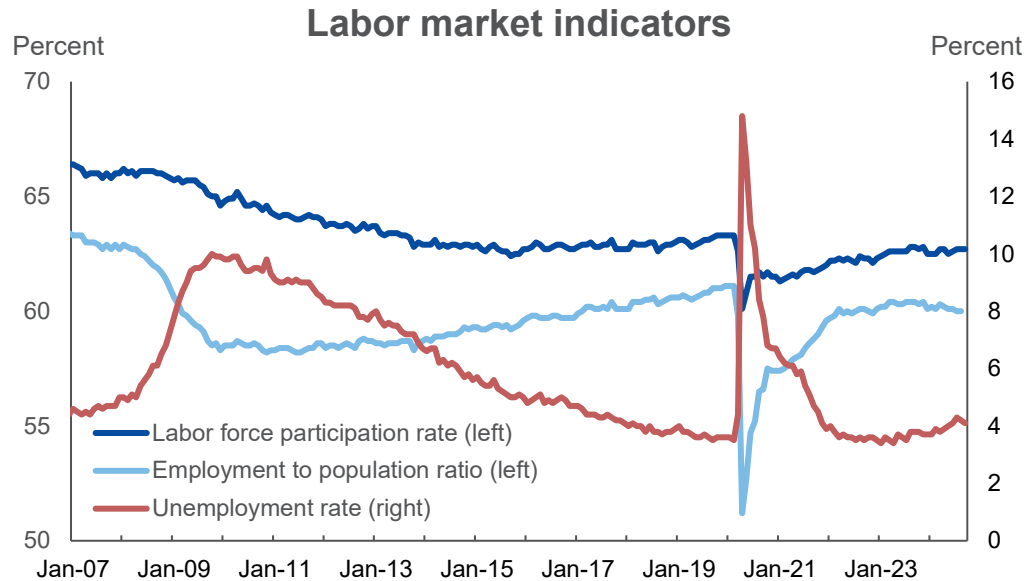
Blue Chip Consensus Real GDP Forecast



- Growth has exceeded private forecasts since 2022
- GDP grew by 2.3% in 2024H1 (annual rate), and is on track for another solid gain in Q3
- Upward revisions to incomes help explain strong demand

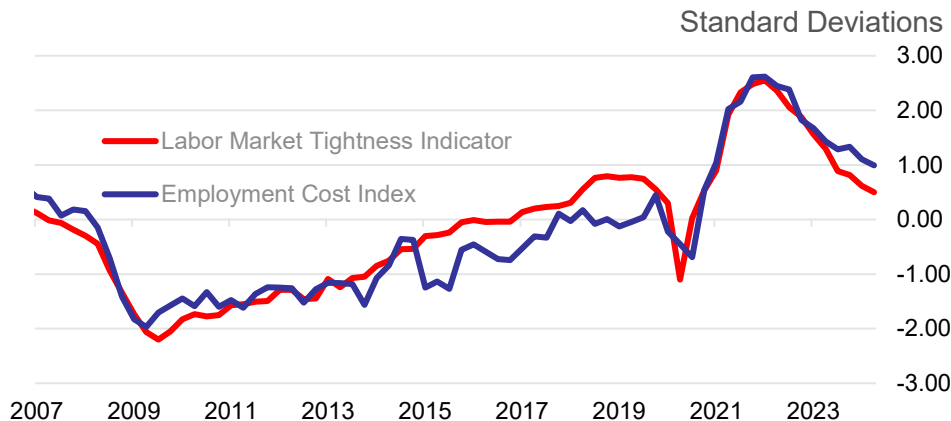


Labor market has reached balance



- Unemployment above 4% since May
- Job growth averaged 167,000 in Q2-Q3, down from 267,000 in Q1
- Labor force participation is holding broadly steady
- Hiring and quits show normalized labor market

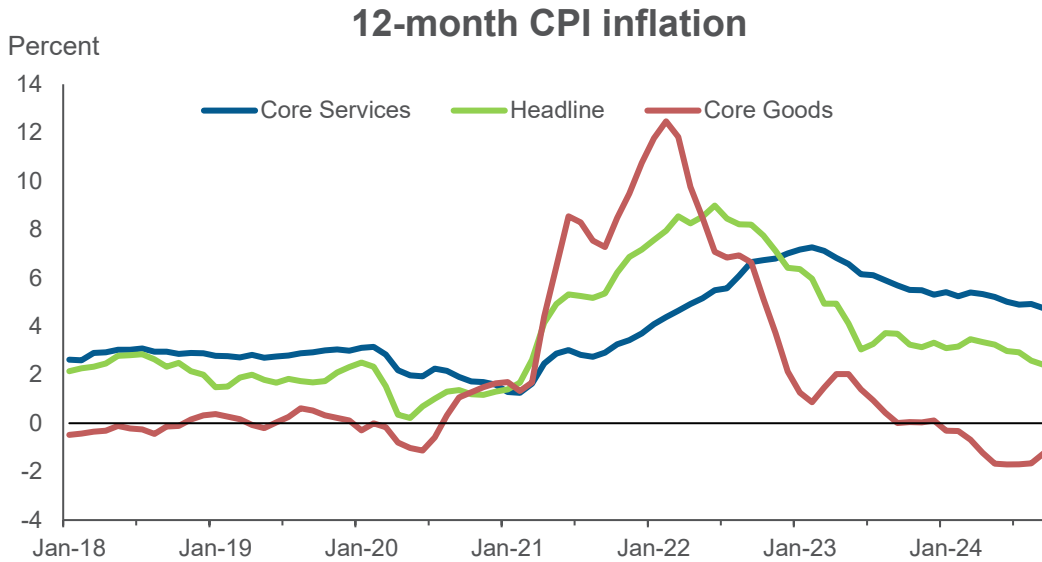
Labor Market Tightness and Wage Growth



Source for Labor Market Tightness Indicator: "A New Indicator of Labor Market Tightness for Predicting Wage Inflation", NY Fed Liberty Street Economics, 10/9/24

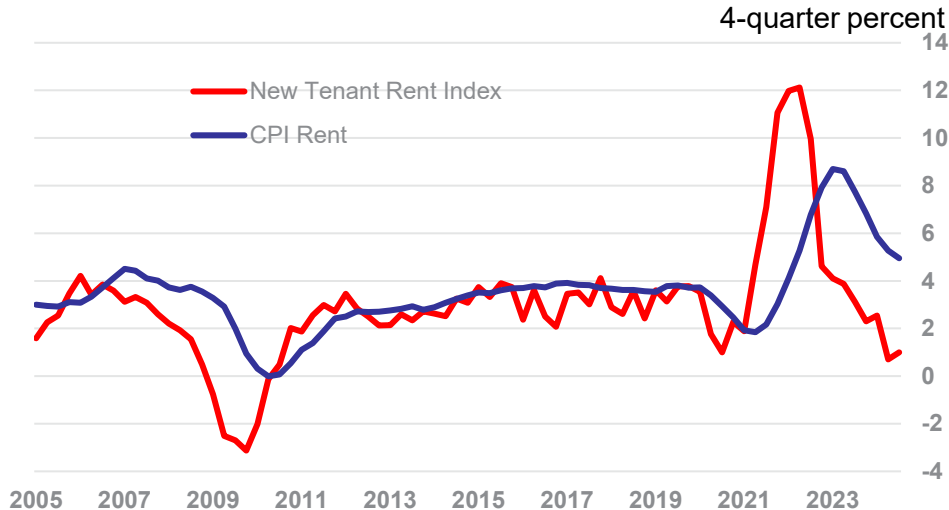
- Wage growth has moderated but remains above pre-pandemic rates
- Labor market tightness indicator suggests further wage growth normalization

Inflation has made further progress toward target



- Headline and core (ex-food & energy) inflation rates have slowed significantly
- Core *goods* prices have been mostly falling
- Core *services* prices are decelerating more gradually, partly reflecting shelter costs

CPI Rent versus New Tenant Rent Index



- Shelter costs will moderate as CPI rent responds with a lag to a substantial deceleration in new tenant rents



Concluding observations

- Supply and demand imbalances have largely receded
- Inflation remains above 2 percent but appears to be on a path to slow to target over the medium term
- Because of slowing inflation and the better balance between supply and demand, the FOMC decided to lower the federal funds rate target range in September

